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FISCAL IMPACT STATEMENT

LS 7019

BILL NUMBER: HB 1260

NOTE PREPARED: Jan 10, 2008

BILL AMENDED:

SUBJECT: Encoded Ammunition.

FIRST AUTHOR: Rep. Crawford

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Encoding of Ammunition/SPD Data Base-* The bill requires ammunition manufacturers to encode all ammunition: (1) provided for retail sale in Indiana; and (2) used in handguns and assault weapons; by July 1, 2009. The bill prohibits a person from selling ammunition at retail after June 30, 2009, unless the ammunition has been encoded by a manufacturer. The bill requires the Superintendent of the State Police Department (SPD) to establish and maintain an encoded ammunition data base before July 1, 2009. The bill requires ammunition manufacturers and persons who sell ammunition at retail to provide certain information concerning encoded ammunition sales and persons who purchase encoded ammunition to the Superintendent for inclusion in the data base.

Ammunition Fee- The bill imposes a fee of \$0.05 per round on the sale of encoded ammunition that is sold at retail. The bill requires the fees to be deposited in the Encoded Ammunition Data Base Fund (EADBF) to operate the data base. The bill requires a person who owns ammunition for a handgun or assault weapon that is not encoded ammunition to dispose of the ammunition before July 1, 2011.

The bill makes an appropriation.

Effective Date: Upon passage; July 1, 2008.

Explanation of State Expenditures: *Encoding of Ammunition/ISP Data Base-* The development and maintenance of an encoded database would have an indeterminable impact on ISP expenditures. The impact to state expenditures would depend on the cost of data base development with respect to meeting the requirements of the bill. Revenue from the ammunition fee would be continuously appropriated from the EADBF to be used for the development and operation of the data base.

Ammunition Fee- The Department of State Revenue (DOR) would be required to deposit the proposed ammunition fee into the EADBF. Assuming similar processing would occur with the ammunition fee as with local revenues, the DOR would require additional expenditure and administrative time to process ammunition fee revenue. Current cost for the DOR to administrate, audit, and collect local taxes is approximately \$0.54 per \$100 of revenue.

Explanation of State Revenues: *Ammunition Fee-* The \$0.05 fee could raise between \$8 M and \$16 M per year for the Encoded Ammunition Data Base Fund. The retailer who collects the fee is allowed to deduct and retain 1% of the fees. Money in the fund at the end of a state fiscal year does not revert to the state General Fund.

Penalty Provision- The bill would establish Class A misdemeanors for violation of any provision of the bill and for defacing encoded ammunition. If additional court cases occur and fines are collected, revenue to both the Common School Fund and the state General Fund would increase. The maximum fine for a Class A misdemeanor is \$5,000. Criminal fines are deposited in the Common School Fund.

If the case is filed in a circuit, superior, or county court, 70% of the \$120 court fee that is assessed and collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund. In addition, some or all of the document storage fee (\$2), automated record keeping fee (\$7), judicial salaries fee (\$17), public defense administration fee (\$3), court administration fee (\$3), judicial insurance adjustment fee (\$1), and the DNA sample processing fee (\$1) are deposited into the state General Fund.

Background on Ammunition Fee- It is estimated that between 8 billion and 10 billion bullets are retailed in the United States every year. Assuming Indiana would account for 2% of United States bullet sales, about 160 million to 200 million bullets are estimated to be sold every year in the Hoosier state. Indiana has a higher-than-national-average gun ownership rate. Higher ownership rates may potentially lead to higher-than-average bullet purchases. Adjusting the 2% assumption of Indiana bullet sales from the national total slightly to 3.2% accounts for the higher gun ownership rate. The fee revenue estimates were calculated as follows:

Low estimate calculation: 8 billion bullets * 2% * \$0.05 = \$8 M.

High estimate calculation: 10 billion bullets * 3.2% * \$0.05 = \$16 M

The estimated revenue range does not take into consideration the effect the increased price of bullets would have on their sale. Ammunition generally is sold in boxes of 20 or 50 rounds. Under the fee, a purchaser of a 20-round box of ammunition would have to pay an additional \$1. A box of 50 rounds would have an ammunition fee of \$2.50.

Explanation of Local Expenditures: *Penalty Provision-* A Class A misdemeanor is punishable by up to one year in jail. The average daily cost to incarcerate a prisoner in a county jail is approximately \$44.

Explanation of Local Revenues: *Penalty Provision-* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from the following sources: The county general fund would receive 27% of the \$120 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. In addition, several

additional fees may be collected at the discretion of the judge and depending upon the particular type of criminal case.

State Agencies Affected: Indiana State Police; Department of State Revenue.

Local Agencies Affected: Trial courts, local law enforcement agencies.

Information Sources: U.S. Bureau of Census; www.ammocoding.com; www.policeone.com; *Indiana Firearm Injury Prevention Survey 2000: Final Report*, Prepared by the Indiana University Center for Survey Research.

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